

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**Office of the Chief Financial Officer**

Natwar M. Gandhi  
Chief Financial Officer



**MEMORANDUM**

**TO:** The Honorable Linda W. Cropp  
Chairman, Council of the District of Columbia

**FROM:** Natwar M. Gandhi [signature]  
Chief Financial Officer

**DATE:** February 10, 2004

**SUBJECT:** Fiscal Impact Statement (Revised): "Mass Transit Pre-Tax Benefits Amendment Act of 2003"

**REFERENCE:** Bill Number 15-080 as Marked Up

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**Conclusion**

Funds are sufficient in the FY 2004 through FY 2007 budget and financial plan as agreed to by the Mayor and the Council of the District of Columbia. Implementing the proposed legislation will result in a net benefit to the District's budget and financial plan of approximately \$41,000 in FY 2004 and \$284,000 in FY 2004 through FY 2007.

**Background**

The proposed legislation would implement a "Commuter Choice" program to defray commuting costs of District employees. Under the program, employees would be permitted to elect a pre-tax payroll deduction for the purpose of direct purchase of mass transit fare cards. The fare cards could be used for all Washington Metropolitan Area Transit Authority (WMATA) bus<sup>1</sup> and light rail mass transit as well as ancillary vanpool systems. Eligible employees may elect a pre-tax payroll deduction of up to \$100<sup>2</sup> per month which could be applied to any mass transit program approved by the Mayor including bus fare, train fare or van pool obligations.

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<sup>1</sup> Use of SmarTrip cards on WMATA buses or transit link programs is a pilot program not widely available.

<sup>2</sup> The limitation is found in the IRC in 26 U.S.C.S. § 132 (2003) (f)(2)(A).

## Financial Plan Impact

Funds are sufficient in the FY 2004 budget to provide for the operational costs associated with implementing the program. Neither WMATA or the District of Columbia Office of Personnel (DCOP) are able to accurately project what the usage will be. However, it is assumed that 2,000 District employees who commute from the region will elect the maximum benefit, and 2,000 resident District employees will elect an average benefit. The table in figure 1 presents the projected overall impacts to the District's proposed FY 2004 through FY 2007 budget and financial plan.

Figure 1.

Impact to the District's Financial Plan (\$ in 000's)					
Item	FY 2004 <sup>3</sup>	FY 2005	FY 2006	FY 2007	4 - Year Total
Local Income Tax Revenue	(108)	(216)	(216)	(216)	(756)
District Savings from Social Security and Medicare Contributions	149	297	297	297	1,040
<b>Net Annual Impact</b>	<b>\$41</b>	<b>\$81</b>	<b>\$81</b>	<b>\$81</b>	<b>\$284</b>

This analysis assumes that the program would be implemented mid-year FY 2004 and that resident employees who apply would elect an average monthly pre-tax deduction of \$65. The remainder of the population participants would elect the maximum allowable in the Internal Revenue Code (IRC) of \$100. Applied to this analysis is an underlying assumption that the District can absorb the administrative pressures for the overall program with existing staff and resources with the exception of the purchase of the cards. In addition, we assume the population of participating employees remains static.

The WMATA charge is \$5 per card which is recovered when funds are made available to the card for the first time. This is meant to neutralize out-of-pocket costs to persons enrolled in the program for the first time.

The District Department of Transportation and DCOP are currently working to fund all operational costs of the program including a plan to use D.C. employee identification cards in lieu of the SmarTrip<sup>®</sup> card. The District CFO believes that existing federal funds could neutralize all operational costs but that they have not been allocated yet for these purposes.

<sup>3</sup> FY 2004 figures assume mid-year implementation that will only capture half of the projected potential population of participants.